

AMENDED IN SENATE AUGUST 11, 1997

AMENDED IN ASSEMBLY MAY 20, 1997

CALIFORNIA LEGISLATURE—1997–98 REGULAR SESSION

## ASSEMBLY BILL

No. 1589

Introduced by ~~Committee on Budget (Ducheny (Chair),  
Miller (Vice Chair), Bowen, Brown, Cardenas, Davis,  
Escutia, Figueroa, Gallegos, Keeley, Knox, Lempert, Scott,  
Strom-Martin, Torlakson, Villaraigosa, and Wright)~~  
*Assembly Member Pringle and Senator Lockyer*  
*(Coauthor: Assembly Member Mazzoni)*

March 17, 1997

An act to amend Sections 97.2, 97.3, and 97.37 of the Revenue and Taxation Code, relating to local government finance, and declaring the urgency thereof, to take effect immediately.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1589, as amended, ~~Committee on Budget~~  
*Pringle*. Local government: finance.

(1) Existing law generally requires the county auditor, in each fiscal year, to allocate property tax revenue to each local jurisdiction in an amount equal to the sum of that amount of revenue allocated to that jurisdiction in the prior fiscal year, and that jurisdiction's portion of the annual tax increment, as defined. Existing property tax law modifies this general provision by requiring that, for purposes of determining property tax revenue allocations in each county for the

*1992–93 and 1993–94 fiscal years, the amounts of property tax revenue deemed allocated in the prior fiscal year to the county, cities, and special districts be reduced in accordance with certain formulas. It requires, for the 1992–93 and 1993–94 fiscal years, and each subsequent fiscal year, that the revenues not allocated to the county, cities, and special districts as a result of these reductions be transferred to the Educational Revenue Augmentation Fund (ERAF) in that county for allocation to school districts, community college districts, and the county office of education. For the purpose of determining the total annual revenues of a special district that provides fire protection or fire suppression services, specified moneys are excluded for the determination of total annual revenues, including any appropriation by a board of supervisors pursuant to a specified authorization for fire protection received by the district.*

*This bill would provide that, for purposes of determining the total annual revenues of a special district that provides fire protection or fire suppression services, in counties that contract with the state to protect state responsibility areas, the total amount of all funds, regardless of the source, that are appropriated to a special district, including a fire department, pursuant to specified authorizations for fire protection, are excluded.*

*This bill would, for purposes of making the determination required by existing reduction formulas with respect to the amount allocated for fire protection activities from a specified fund in the 1992–93 fiscal year to a special district engaged in those activities, for counties of the second class, specify that an amount “allocated” to that district means an amount or revenue identified for transfer to that district, rather than the amount actually received by the district pursuant to that transfer.*

*This bill would state that these amendments do not constitute a change in, but are declaratory of, existing law.*

*(2) Existing property tax law prohibits a county auditor, for the 1994–95 fiscal year and each fiscal year thereafter, from reducing the amount of ad valorem property tax revenue that is deemed allocated in the prior fiscal year to any of certain types of local library entities for purposes of increasing the*

*amount of ad valorem property tax revenues allocated to a different jurisdiction.*

*This bill would clarify that this prohibition does not preclude a county auditor from allocating ad valorem property tax revenues to the county's Educational Revenue Augmentation Fund, rather than to a library entity as described in existing law, as a result of a reduction made pursuant to specified statutes in the 1992–93 and 1993–94 fiscal years in the amounts of property tax revenue deemed allocated to that entity in the fiscal years prior to those fiscal years. This bill would specify that these clarifying provisions do not constitute a change in, but are declaratory of, existing law.*

*(3) This bill would declare that it is to take effect immediately as an urgency statute.*

~~This bill would declare the intent of the Legislature to make the necessary statutory changes to implement the Budget Act of 1997 relative to local government.~~

Vote: ~~majority~~<sup>2/3</sup>. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

*The people of the State of California do enact as follows:*

~~SECTION 1. It is the intent of the Legislature in enacting this act to make the necessary statutory changes to implement the Budget Act of 1997 relative to local government.~~

*SECTION 1. The Legislature finds and declares all of the following:*

*(a) The shift of ad valorem property tax revenues made in the 1993-94 fiscal year from special districts to school entities is subject to certain exclusions and offsets, including an offset amount to be determined with respect to special districts that provide fire protection or suppression services.*

*(b) The provisions that require the determination of this offset amount have been misinterpreted so as to raise questions as to the validity of past, present, and future allocations of ad valorem property tax revenues made by*

1 *local officials in reliance upon, and pursuant to the*  
 2 *requirements of, state law.*

3 *(c) Consequently, it is necessary for the Legislature to*  
 4 *restate and clarify the proper construction of the*  
 5 *provisions that require the determination of this offset*  
 6 *amount.*

7 *SEC. 2. Section 97.2 of the Revenue and Taxation*  
 8 *Code is amended to read:*

9 97.2. Notwithstanding any other provision of this  
 10 chapter, the computations and allocations made by each  
 11 county pursuant to Section 96.1 or its predecessor section  
 12 shall be modified for the 1992–93 fiscal year pursuant to  
 13 subdivisions (a) to (d), inclusive, and for the 1997–98 and  
 14 1998–99 fiscal years pursuant to subdivision (e), as follows:

15 (a) (1) Except as provided in paragraph (2), the  
 16 amount of property tax revenue deemed allocated in the  
 17 prior fiscal year to each county shall be reduced by the  
 18 dollar amounts indicated as follows, multiplied by .953649:

|                       | Property<br>Tax Reduction<br>per County |
|-----------------------|---|
| 23 Alameda .....      | \$ 27,323,576                           |
| 24 Alpine .....       | 5,169                                   |
| 25 Amador .....       | 286,131                                 |
| 26 Butte .....        | 846,452                                 |
| 27 Calaveras .....    | 507,526                                 |
| 28 Colusa .....       | 186,438                                 |
| 29 Contra Costa ..... | 12,504,318                              |
| 30 Del Norte .....    | 46,523                                  |
| 31 El Dorado .....    | 1,544,590                               |
| 32 Fresno .....       | 5,387,570                               |
| 33 Glenn .....        | 378,055                                 |
| 34 Humboldt .....     | 1,084,968                               |
| 35 Imperial .....     | 998,222                                 |
| 36 Inyo .....         | 366,402                                 |
| 37 Kern .....         | 6,907,282                               |
| 38 Kings .....        | 1,303,774                               |
| 39 Lake .....         | 998,222                                 |
| 40 Lassen .....       | 93,045                                  |

|    |                       |             |
|----|-----------------------|-------------|
| 1  | Los Angeles .....     | 244,178,806 |
| 2  | Madera .....          | 809,194     |
| 3  | Marin .....           | 3,902,258   |
| 4  | Mariposa .....        | 40,136      |
| 5  | Mendocino .....       | 1,004,112   |
| 6  | Merced .....          | 2,445,709   |
| 7  | Modoc .....           | 134,650     |
| 8  | Mono .....            | 319,793     |
| 9  | Monterey .....        | 2,519,507   |
| 10 | Napa .....            | 1,362,036   |
| 11 | Nevada .....          | 762,585     |
| 12 | Orange .....          | 9,900,654   |
| 13 | Placer .....          | 1,991,265   |
| 14 | Plumas .....          | 71,076      |
| 15 | Riverside .....       | 7,575,353   |
| 16 | Sacramento .....      | 15,323,634  |
| 17 | San Benito .....      | 198,090     |
| 18 | San Bernardino .....  | 14,467,099  |
| 19 | San Diego .....       | 17,687,776  |
| 20 | San Francisco .....   | 53,266,991  |
| 21 | San Joaquin .....     | 8,574,869   |
| 22 | San Luis Obispo ..... | 2,547,990   |
| 23 | San Mateo .....       | 7,979,302   |
| 24 | Santa Barbara .....   | 4,411,812   |
| 25 | Santa Clara .....     | 20,103,706  |
| 26 | Santa Cruz .....      | 1,416,413   |
| 27 | Shasta .....          | 1,096,468   |
| 28 | Sierra .....          | 97,103      |
| 29 | Siskiyou .....        | 467,390     |
| 30 | Solano .....          | 5,378,048   |
| 31 | Sonoma .....          | 5,455,911   |
| 32 | Stanislaus .....      | 2,242,129   |
| 33 | Sutter .....          | 831,204     |
| 34 | Tehama .....          | 450,559     |
| 35 | Trinity .....         | 50,399      |
| 36 | Tulare .....          | 4,228,525   |
| 37 | Tuolumne .....        | 740,574     |
| 38 | Ventura .....         | 9,412,547   |



|   |            |           |
|---|------------|-----------|
| 1 | Yolo ..... | 1,860,499 |
| 2 | Yuba ..... | 842,857   |

3

4 (2) Notwithstanding paragraph (1), the amount of the  
5 reduction specified in that paragraph for any county or  
6 city and county that has been materially and substantially  
7 impacted as a result of a federally declared disaster, as  
8 evidenced by at least 20 percent of the cities, or cities and  
9 unincorporated areas of the county representing 20  
10 percent of the population within the county suffering  
11 substantial damage, as certified by the Director of the  
12 Office of Emergency Services, occurring between  
13 October 1, 1989, and the effective date of this section, shall  
14 be reduced by that portion of five million dollars  
15 (\$5,000,000) determined for that county or city and  
16 county pursuant to subparagraph (B) of paragraph (3).

17 (3) On or before October 1, 1992, the Director of  
18 Finance shall do all of the following:

19 (A) Determine the population of each county and city  
20 and county in which a federally declared disaster has  
21 occurred between October 1, 1989, and the effective date  
22 of this section.

23 (B) Determine for each county and city and county as  
24 described in subparagraph (A) its share of five million  
25 dollars (\$5,000,000) on the basis of that county's  
26 population relative to the total population of all counties  
27 described in subparagraph (A).

28 (C) Notify each auditor of each county and city and  
29 county of the amounts determined pursuant to  
30 subparagraph (B).

31 (b) (1) Except as provided in paragraph (2), the  
32 amount of property tax revenue deemed allocated in the  
33 prior fiscal year to each city, except for a newly  
34 incorporated city that did not receive property tax  
35 revenues in the 1991–92 fiscal year, shall be reduced by 9  
36 percent. In making the above computation with respect  
37 to cities in Alameda County, the computation for a city  
38 described in paragraph (6) of subdivision (a) of Section  
39 100.7, as added by Section 73.5 of Chapter 323 of the  
40 Statutes of 1983, shall be adjusted so that the amount

1 multiplied by 9 percent is reduced by the amount  
2 determined for that city for “museums” pursuant to  
3 paragraph (2) of subdivision (h) of Section 95.

4 (2) Notwithstanding paragraph (1), the amount of the  
5 reduction determined pursuant to that paragraph for any  
6 city that has been materially and substantially impacted  
7 as a result of a federally declared disaster, as certified by  
8 the Director of the Office of Emergency Services,  
9 occurring between October 1, 1989, and the effective  
10 date of this section, shall be reduced by that portion of  
11 fifteen million dollars (\$15,000,000) determined for that  
12 city pursuant to subparagraph (B) of paragraph (3).

13 (3) On or before October 1, 1992, the Director of  
14 Finance shall do all of the following:

15 (A) Determine the population of each city in which a  
16 federally declared disaster has occurred between  
17 October 1, 1989, and the effective date of this section.

18 (B) Determine for each city as described in  
19 subparagraph (A) its share of fifteen million dollars  
20 (\$15,000,000) on the basis of that city’s population relative  
21 to the total population of all cities described in  
22 subparagraph (A).

23 (C) Notify each auditor of each county and city and  
24 county of the amounts determined pursuant to  
25 subparagraph (B).

26 (4) In the 1992–93 fiscal year and each fiscal year  
27 thereafter, the auditor shall adjust the computations  
28 required pursuant to Article 4 (commencing with Section  
29 98) so that those computations do not result in the  
30 restoration of any reduction required pursuant to this  
31 section.

32 (c) (1) Subject to paragraph (2), the amount of  
33 property tax revenue, other than those revenues that are  
34 pledged to debt service, deemed allocated in the prior  
35 fiscal year to a special district, other than a multicounty  
36 district, a local hospital district, or a district governed by  
37 a city council or whose governing board has the same  
38 membership as a city council, shall be reduced by 35  
39 percent. For purposes of this subdivision, “revenues that  
40 are pledged to debt service” include only those amounts

1 required to pay debt service costs in the 1991–92 fiscal  
2 year on debt instruments issued by a special district for  
3 the acquisition of capital assets.

4 (2) No reduction pursuant to paragraph (1) for any  
5 special district, other than a countywide water agency  
6 that does not sell water at retail, shall exceed an amount  
7 equal to 10 percent of that district's total annual revenues,  
8 from whatever source, as shown in the 1989–90 edition of  
9 the State Controller's Report on Financial Transactions  
10 Concerning Special Districts (not including any annual  
11 revenues from fiscal years following the 1989–90 fiscal  
12 year). With respect to any special district, as defined  
13 pursuant to subdivision (m) of Section 95, that is allocated  
14 property tax revenue pursuant to this chapter but does  
15 not appear in the State Controller's Report on Financial  
16 Transactions Concerning Special Districts, the auditor  
17 shall determine the total annual revenues for that special  
18 district from the information in the 1989–90 edition of the  
19 State Controller's Report on Financial Transactions  
20 Concerning Counties. With respect to a special district  
21 that did not exist in the 1989–90 fiscal year, the auditor  
22 may use information from the first full fiscal year, as  
23 appropriate, to determine the total annual revenues for  
24 that special district. No reduction pursuant to paragraph  
25 (1) for any countywide water agency that does not sell  
26 water at retail shall exceed an amount equal to 10 percent  
27 of that portion of that agency's general fund derived from  
28 property tax revenues.

29 (3) The auditor in each county shall, on or before  
30 January 15, 1993, and on or before January 30 of each year  
31 thereafter, submit information to the Controller  
32 concerning the amount of the property tax revenue  
33 reduction to each special district within that county as a  
34 result of paragraphs (1) and (2). The Controller shall  
35 certify that the calculation of the property tax revenue  
36 reduction to each special district within that county is  
37 accurate and correct, and submit this information to the  
38 Director of Finance.

39 (A) The Director of Finance shall determine whether  
40 the total of the amounts of the property tax revenue



1 reductions to special districts, as certified by the  
2 Controller, is equal to the amount that would be required  
3 to be allocated to school districts and community college  
4 districts as a result of a three hundred seventy-five million  
5 dollar (\$375,000,000) shift of property tax revenues from  
6 special districts for the 1992–93 fiscal year. If, for any year,  
7 the total of the amount of the property tax revenue  
8 reductions to special districts is less than the amount as  
9 described in the preceding sentence, the amount of  
10 property tax revenue, other than those revenues that are  
11 pledged to debt service, deemed allocated in the prior  
12 fiscal year to a special district, other than a multicounty  
13 district, a local hospital district, or a district governed by  
14 a city council or whose governing board has the same  
15 membership as a city council, shall, subject to  
16 subparagraph (B), be reduced by an amount up to 5  
17 percent of the amount subject to reduction for that  
18 district pursuant to paragraphs (1) and (2).

19 (B) No reduction pursuant to subparagraph (A), in  
20 conjunction with a reduction pursuant to paragraphs (1)  
21 and (2), for any special district, other than a countywide  
22 water agency that does not sell water at retail, shall  
23 exceed an amount equal to 10 percent of that district's  
24 total annual revenues, from whatever source, as shown in  
25 the most recent State Controller's Report on Financial  
26 Transactions Concerning Special Districts. No reduction  
27 pursuant to subparagraph (A), in conjunction with a  
28 reduction pursuant to paragraphs (1) and (2), for any  
29 countywide water agency that does not sell water at retail  
30 shall exceed an amount equal to 10 percent of that portion  
31 of that agency's general fund derived from property tax  
32 revenues.

33 (C) In no event shall the amount of the property tax  
34 revenue loss to a special district derived pursuant to  
35 subparagraphs (A) and (B) exceed 40 percent of that  
36 district's property tax revenues or 10 percent of that  
37 district's total revenues, from whatever source.

38 (4) For the purpose of determining the total annual  
39 revenues of a special district that provides fire protection  
40 or fire suppression services, all of the following shall be

1 excluded from the determination of total annual  
2 revenues:

3 (A) If the district had less than two million dollars  
4 (\$2,000,000) in total annual revenues in the 1991–92 fiscal  
5 year, the revenue generated by a fire suppression  
6 assessment levied pursuant to Article 3.6 (commencing  
7 with Section 50078) of Chapter 1 of Part 1 of Division 1 of  
8 Title 5 of the Government Code.

9 (B) ~~Any appropriation~~ *In counties that contract with*  
10 *the state to protect state responsibility areas, the total*  
11 *amount of all funds, regardless of the source, that are*  
12 *appropriated to a district, including a fire department, by*  
13 *a board of supervisors pursuant to Section 25642 of the*  
14 *Government Code or Chapter 7 (commencing with*  
15 *Section 13890) of Part 2.7 of Division 12 of the Health and*  
16 *Safety Code for fire protection received by a district*  
17 ~~pursuant to Section 25642 of the Government Code.~~

18 (C) The revenue received by a district as a result of  
19 contracts entered into pursuant to Section 4133 of the  
20 Public Resources Code.

21 (5) For the purpose of determining the total annual  
22 revenues of a resource conservation district, all of the  
23 following shall be excluded from the determination of  
24 total annual revenues:

25 (A) Any revenues received by that district from the  
26 state for financing the acquisition of land, or the  
27 construction or improvement of state projects, and for  
28 which that district serves as the fiscal agent in  
29 administering those state funds pursuant to an agreement  
30 entered into between that district and a state agency.

31 (B) Any amount received by that district as a private  
32 gift or donation.

33 (C) Any amount received as a county grant or contract  
34 as supplemental to, or independent of, that district's  
35 property tax share.

36 (D) Any amount received by that district as a federal  
37 or state grant.

38 (d) (1) The amount of property tax revenues not  
39 allocated to the county, cities within the county, and  
40 special districts as a result of the reductions calculated

1 pursuant to subdivisions (a), (b), and (c) shall instead be  
2 deposited in the Educational Revenue Augmentation  
3 Fund to be established in each county. The amount of  
4 revenue in the Educational Revenue Augmentation  
5 Fund, derived from whatever source, shall be allocated  
6 pursuant to paragraphs (2) and (3) to school districts and  
7 county offices of education, in total, and to community  
8 college districts, in total, in the same proportion that  
9 property tax revenues were distributed to school districts  
10 and county offices of education, in total, and community  
11 college districts, in total, during the 1991–92 fiscal year.

12 (2) The auditor shall, based on information provided  
13 by the county superintendent of schools pursuant to this  
14 paragraph, allocate the proportion of the Educational  
15 Revenue Augmentation Fund to those school districts  
16 and county offices of education within the county that are  
17 not excess tax school entities, as defined in subdivision (n)  
18 of Section 95. The county superintendent of schools shall  
19 determine the amount to be allocated to each school  
20 district and county office of education in inverse  
21 proportion to the amounts of property tax revenue per  
22 average daily attendance in each school district and  
23 county office of education. In no event shall any  
24 additional money be allocated from the fund to a school  
25 district or county office of education upon that school  
26 district or county office of education becoming an excess  
27 tax school entity.

28 (3) The auditor shall, based on information provided  
29 by the Chancellor of the California Community Colleges  
30 pursuant to this paragraph, allocate the proportion of the  
31 Educational Revenue Augmentation Fund to those  
32 community college districts within the county that are  
33 not excess tax school entities, as defined in subdivision (n)  
34 of Section 95. The chancellor shall determine the amount  
35 to be allocated to each community college district in  
36 inverse proportion to the amounts of property tax  
37 revenue per funded full-time equivalent student in each  
38 community college district. In no event shall any  
39 additional money be allocated from the fund to a

1 community college district upon that district becoming  
2 an excess tax school entity.

3 (4) (A) If, after making the allocation required  
4 pursuant to paragraph (2), the auditor determines that  
5 there are still additional funds to be allocated, the auditor  
6 shall allocate those excess funds pursuant to paragraph  
7 (3). If, after making the allocation pursuant to paragraph  
8 (3), the auditor determines that there are still additional  
9 funds to be allocated, the auditor shall allocate those  
10 excess funds pursuant to paragraph (2).

11 (B) (i) For the 1995–96 fiscal year and each fiscal year  
12 thereafter, if, after making the allocations pursuant to  
13 paragraphs (2) and (3) and subparagraph (A), the  
14 auditor determines that there are still additional funds to  
15 be allocated, the auditor shall, subject to clauses (ii) and  
16 (iii), allocate those excess funds to the county  
17 superintendent of schools. Funds allocated pursuant to  
18 this subparagraph shall be counted as property tax  
19 revenues for special education programs in  
20 augmentation of the amount calculated pursuant to  
21 Section 2572 of the Education Code, to the extent that  
22 those property tax revenues offset state aid for county  
23 offices of education and school districts within the county  
24 pursuant to Section 56712 of the Education Code.

25 (ii) For the 1995–96 fiscal year only, this subparagraph  
26 shall have no application to the County of Mono and the  
27 amount allocated pursuant to this subparagraph in the  
28 County of Marin shall not exceed five million dollars  
29 (\$5,000,000).

30 (iii) For the 1996–97 fiscal year only, the total amount  
31 of funds allocated by the auditor pursuant to this  
32 subparagraph and subparagraph (B) of paragraph (4) of  
33 subdivision (d) of Section 97.3 shall not exceed that  
34 portion of two million five hundred thousand dollars  
35 (\$2,500,000) that corresponds to the county's  
36 proportionate share of all moneys allocated pursuant to  
37 this subparagraph and subparagraph (B) of paragraph  
38 (4) of subdivision (d) of Section 97.3 for the 1995–96 fiscal  
39 year. Upon the request of the auditor, the Department of  
40 Finance shall provide to the auditor all information in the

1 department's possession that is necessary for the auditor  
2 to comply with this clause.

3 (C) For purposes of allocating the Educational  
4 Revenue Augmentation Fund for the 1996–97 fiscal year,  
5 the auditor shall, after making the allocations for special  
6 education programs, if any, required by subparagraph  
7 (B), allocate all remaining funds among the county,  
8 cities, and special districts in proportion to the amounts  
9 of ad valorem property tax revenue otherwise required  
10 to be shifted from those local agencies to the county's  
11 Educational Revenue Augmentation Fund for the  
12 relevant fiscal year. For purposes of ad valorem property  
13 tax revenue allocations for the 1997–98 fiscal year and  
14 each fiscal year thereafter, no amount of ad valorem  
15 property tax revenue allocated to the county, a city, or a  
16 special district pursuant to this subparagraph shall be  
17 deemed to be an amount of ad valorem property tax  
18 revenue allocated to that local agency in the prior fiscal  
19 year.

20 (5) For purposes of allocations made pursuant to  
21 Section 96.1 or its predecessor section for the 1993–94  
22 fiscal year, the amounts allocated from the Educational  
23 Revenue Augmentation Fund pursuant to this  
24 subdivision, other than amounts deposited in the  
25 Educational Revenue Augmentation Fund pursuant to  
26 Section 33681 of the Health and Safety Code, shall be  
27 deemed property tax revenue allocated to the  
28 Educational Revenue Augmentation Fund in the prior  
29 fiscal year.

30 (e) (1) For the 1997–98 fiscal year:

31 (A) The amount of property tax revenue deemed  
32 allocated in the prior fiscal year to any city subject to the  
33 reduction specified in paragraph (2) of subdivision (b)  
34 shall be reduced by an amount that is equal to the  
35 difference between the amount determined for the city  
36 pursuant to paragraph (1) of subdivision (b) and the  
37 amount of the reduction determined for the city pursuant  
38 to paragraph (2) of subdivision (b).

39 (B) The amount of property tax revenue deemed  
40 allocated in the prior fiscal year to any county or city and

1 county subject to the reduction specified in paragraph  
2 (2) of subdivision (a) shall be reduced by an amount that  
3 is equal to the difference between the amount specified  
4 for the county or city and county pursuant to paragraph  
5 (1) of subdivision (a) and the amount of the reduction  
6 determined for the county or city and county pursuant to  
7 paragraph (2) of subdivision (a).

8 (2) The amount of property tax revenues not allocated  
9 to a city or city and county as a result of this subdivision  
10 shall be deposited in the Educational Revenue  
11 Augmentation Fund described in subparagraph (A) of  
12 paragraph (1) of subdivision (d).

13 (3) For purposes of allocations made pursuant to  
14 Section 96.1 for the 1998–99 fiscal year, the amounts  
15 allocated from the Educational Revenue Augmentation  
16 Fund pursuant to this subdivision shall be deemed  
17 property tax revenues allocated to the Educational  
18 Revenue Augmentation Fund in the prior fiscal year.

19 (f) It is the intent of the Legislature in enacting this  
20 section that this section supersede and be operative in  
21 place of Section 97.03 of the Revenue and Taxation Code,  
22 as added by Senate Bill 617 of the 1991–92 Regular Session.

23 *SEC. 3. Section 97.3 of the Revenue and Taxation*  
24 *Code is amended to read:*

25 97.3. Notwithstanding any other provision of this  
26 chapter, the computations and allocations made by each  
27 county pursuant to Section 96.1 or its predecessor section,  
28 as modified by Section 97.2 or its predecessor section for  
29 the 1992–93 fiscal year, shall be modified for the 1993–94  
30 fiscal year pursuant to subdivisions (a) to (c), inclusive,  
31 as follows:

32 (a) The amount of property tax revenue deemed  
33 allocated in the prior fiscal year to each county and city  
34 and county shall be reduced by an amount to be  
35 determined by the Director of Finance in accordance  
36 with the following:

37 (1) The total amount of the property tax reductions for  
38 counties and cities and counties determined pursuant to  
39 this section shall be one billion nine hundred ninety-eight  
40 million dollars (\$1,998,000,000) in the 1993–94 fiscal year.

(2) The Director of Finance shall determine the amount of the reduction for each county or city and county as follows:

(A) The proportionate share of the property tax revenue reduction for each county or city and county that would have been imposed on all counties under the proposal specified in the "May Revision of the 1993-94 Governor's Budget" shall be determined by reference to the document entitled "Estimated County Property Tax Transfers Under Governor's May Revision Proposal," published by the Legislative Analyst's Office on June 1, 1993.

(B) Each county's or city and county's proportionate share of total taxable sales in all counties in the 1991-92 fiscal year shall be determined.

(C) An amount for each county and city and county shall be determined by applying its proportionate share determined pursuant to subparagraph (A) to the one billion nine hundred ninety-eight million dollar (\$1,998,000,000) statewide reduction for counties and cities and counties.

(D) An amount for each county and city and county shall be determined by applying its proportionate share determined pursuant to subparagraph (B) to the one billion nine hundred ninety-eight million dollar (\$1,998,000,000) statewide reduction for counties and cities and counties.

(E) The Director of Finance shall add the amounts determined pursuant to subparagraphs (C) and (D) for each county and city and county, and divide the resulting figure by two. The amount so determined for each county and city and county shall be divided by a factor of 1.038. The resulting figure shall be the amount of property tax revenue to be subtracted from the amount of property tax revenue deemed allocated in the prior fiscal year.

(3) The Director of Finance shall, by July 15, 1993, report to the Joint Legislative Budget Committee its determination of the amounts determined pursuant to paragraph (2).

1 (4) On or before August 15, 1993, the Director of  
2 Finance shall notify the auditor of each county and city  
3 and county of the amount of property tax revenue  
4 reduction determined for each county and city and  
5 county.

6 (5) Notwithstanding any other provision of this  
7 subdivision, the amount of the reduction specified in  
8 paragraph (2) for any county or city and county that has  
9 first implemented, for the 1993–94 fiscal year, the  
10 alternative procedure for the distribution of property tax  
11 levies authorized by Chapter 2 (commencing with  
12 Section 4701) of Part 8 shall be reduced, for the 1993–94  
13 fiscal year only, in the amount of any increased revenue  
14 allocated to each qualifying school entity that would not  
15 have been allocated for the 1993–94 fiscal year but for the  
16 implementation of that alternative procedure. For  
17 purposes of this paragraph, “qualifying school entity”  
18 means any school district, county office of education, or  
19 community college district that is not an excess tax school  
20 entity as defined in Section 95.1. Notwithstanding any  
21 other provision of this paragraph, the amount of any  
22 reduction calculated pursuant to this paragraph for any  
23 county or city and county shall not exceed the reduction  
24 calculated for that county or city and county pursuant to  
25 paragraph (2).

26 (b) The amount of property tax revenue deemed  
27 allocated in the prior fiscal year to each city shall be  
28 reduced by an amount to be determined by the Director  
29 of Finance in accordance with the following:

30 (1) The total amount of the property tax reductions  
31 determined for cities pursuant to this section shall be two  
32 hundred eighty-eight million dollars (\$288,000,000) in the  
33 1993–94 fiscal year.

34 (2) The Director of Finance shall determine the  
35 amount of reduction for each city as follows:

36 (A) The amount of property tax revenue that is  
37 estimated to be attributable in the 1993–94 fiscal year to  
38 the amount of each city’s state assistance payment  
39 received by that city pursuant to Chapter 282 of the  
40 Statutes of 1979 shall be determined.



(B) A factor for each city equal to the amount determined pursuant to subparagraph (A) for that city, divided by the total of the amounts determined pursuant to subparagraph (A) for all cities, shall be determined.

(C) An amount for each city equal to the factor determined pursuant to subparagraph (B), multiplied by three hundred eighty-two million five hundred thousand dollars (\$382,500,000), shall be determined.

(D) In no event shall the amount for any city determined pursuant to subparagraph (C) exceed a per capita amount of nineteen dollars and thirty-one cents (\$19.31), as determined in accordance with that city's population on January 1, 1993, as estimated by the Department of Finance.

(E) The amount determined for each city pursuant to subparagraphs (C) and (D) shall be the amount of property tax revenue to be subtracted from the amount of property tax revenue deemed allocated in the prior year.

(3) The Director of Finance shall, by July 15, 1993, report to the Joint Legislative Budget Committee those amounts determined pursuant to paragraph (2).

(4) On or before August 15, 1993, the Director of Finance shall notify each county auditor of the amount of property tax revenue reduction determined for each city located within that county.

(c) (1) The amount of property tax revenue deemed allocated in the prior fiscal year to each special district, as defined pursuant to subdivision (m) of Section 95, shall be reduced by the amount determined for the district pursuant to paragraph (3) and increased by the amount determined for the district pursuant to paragraph (4). The total net amount of these changes is intended to equal two hundred forty-four million dollars (\$244,000,000) in the 1993–94 fiscal year.

(2) (A) Notwithstanding any other provision of this subdivision, no reduction shall be made pursuant to this subdivision with respect to any of the following special districts:

1 (i) A local hospital district as described in Division 23  
2 (commencing with Section 32000) of the Health and  
3 Safety Code.

4 (ii) A water agency that does not sell water at retail,  
5 but not including an agency the primary function of  
6 which, as determined on the basis of total revenues, is  
7 flood control.

8 (iii) A transit district.

9 (iv) A police protection district formed pursuant to  
10 Part 1 (commencing with Section 20000) of Division 14 of  
11 the Health and Safety Code.

12 (v) A special district that was a multicounty special  
13 district as of July 1, 1979.

14 (B) Notwithstanding any other provision of this  
15 subdivision, the first one hundred four thousand dollars  
16 (\$104,000) of the amount of any reduction that otherwise  
17 would be made under this subdivision with respect to a  
18 qualifying community services district shall be excluded.  
19 For purposes of this subparagraph, a “qualifying  
20 community services district” means a community service  
21 district that meets all of the following requirements:

22 (i) Was formed pursuant to Division 3 (commencing  
23 with Section 61000) of Title 6 of the Government Code.

24 (ii) Succeeded to the duties and properties of a police  
25 protection district upon the dissolution of that district.

26 (iii) Currently provides police protection services to  
27 substantially the same territory as did that district.

28 (iv) Is located within a county in which the board of  
29 supervisors has requested the Department of Finance  
30 that this subparagraph be operative in the county.

31 (3) (A) On or before September 15, 1993, the county  
32 auditor shall determine an amount for each special  
33 district equal to the amount of its allocation determined  
34 pursuant to Section 96 or 96.1, and Section 96.5 or their  
35 predecessor sections for the 1993–94 fiscal year multiplied  
36 by the ratio determined pursuant to paragraph (1) of  
37 subdivision (a) of former Section 98.6 as that section read  
38 on June 15, 1993. In those counties that were subject to  
39 former Sections 98.66, 98.67, and 98.68, as those sections  
40 read on that same date, the county auditor shall

1 determine an amount for each special district that  
2 represents the current amount of its allocation  
3 determined pursuant to Section 96 or 96.1, and Section  
4 96.5 or their predecessor sections for the 1993–94 fiscal  
5 year that is attributed to the property tax shift from  
6 schools required by Chapter 282 of the Statutes of 1979.  
7 In that county subject to Section 100.4, the county auditor  
8 shall determine an amount for each special district that  
9 represents the current amount of its allocations  
10 determined pursuant to Section 96, 96.1, 96.5, or 100.4 or  
11 their predecessor sections for the 1993–94 fiscal year that  
12 is attributable to the property tax shift from schools  
13 required by Chapter 282 of the Statutes of 1979. In  
14 determining these amounts, the county auditor shall  
15 adjust for the influence of increased assessed valuation  
16 within each district, including the effect of jurisdictional  
17 changes, and the reductions in property tax allocations  
18 required in the 1992–93 fiscal year by Chapters 699 and  
19 1369 of the Statutes of 1992. In the case of a special district  
20 that has been consolidated or reorganized, the auditor  
21 shall determine the amount of its current property tax  
22 allocation that is attributable to the prior district's or  
23 districts' receipt of state assistance payments pursuant to  
24 Chapter 282 of the Statutes of 1979. Notwithstanding any  
25 other provision of this paragraph, for a special district that  
26 is governed by a city council or whose governing board  
27 has the same membership as a city council and that is a  
28 subsidiary district as defined in subdivision (e) of Section  
29 16271 of the Government Code, the county auditor shall  
30 multiply the amount that otherwise would be calculated  
31 pursuant to this paragraph by 0.38 and the result shall be  
32 used in the calculations required by paragraph (5). In no  
33 event shall the amount determined by this paragraph be  
34 less than zero.

35 (B) Notwithstanding subparagraph (A), commencing  
36 with the 1994–95 fiscal year, in the County of Sacramento,  
37 the auditor shall determine the amount for each special  
38 district that represents the current amount of its  
39 allocations determined pursuant to Section 96, 96.1, 96.5,  
40 or 100.6 for the 1994–95 fiscal year that is attributed to the

1 property tax shift from schools required by Chapter 282  
2 of the Statutes of 1979.

3 (4) (A) (i) On or before September 15, 1993, the  
4 county auditor shall determine an amount for each  
5 special district that is engaged in fire protection activities,  
6 as reported to the Controller for inclusion in the 1989–90  
7 Edition of the Financial Transactions Report Concerning  
8 Special Districts under the heading of “Fire Protection,”  
9 that is equal to the amount of revenue allocated to that  
10 special district from the Special District Augmentation  
11 Fund for fire protection activities in the 1992–93 fiscal  
12 year. *For purposes of the preceding sentence for counties*  
13 *of the second class, the phrase “amount of revenue*  
14 *allocated to that special district” means an amount of*  
15 *revenue that was identified for transfer to that special*  
16 *district, rather than the amount of revenue that was*  
17 *actually received by that special district pursuant to that*  
18 *transfer.*

19 (ii) In the case of a special district, other than a special  
20 district governed by the county board of supervisors or  
21 whose governing body is the same as the county board of  
22 supervisors, that is engaged in fire protection activities as  
23 reported to the Controller, the county auditor shall also  
24 determine the amount by which the district’s amount  
25 determined pursuant to paragraph (3) exceeds the  
26 amount by which its allocation was reduced by operation  
27 of former Section 98.6 in the 1992–93 fiscal year. This  
28 amount shall be added to the amount otherwise  
29 determined for the district under this paragraph. In any  
30 county subject to former Section 98.65, 98.66, 98.67, or  
31 98.68 in that same fiscal year, the county auditor shall  
32 determine for each special district that is engaged in fire  
33 protection activities an amount that is equal to the  
34 amount determined for that district pursuant to  
35 paragraph (3).

36 (B) For purposes of this paragraph, a special district  
37 includes any special district that is allocated property tax  
38 revenue pursuant to this chapter and does not appear in  
39 the State Controller’s Report on Financial Transactions  
40 Concerning Special Districts, but is engaged in fire

1 protection activities and appears in the State Controller's  
2 Report on Financial Transactions Concerning Counties.

3 (5) The total amount of property taxes allocated to  
4 special districts by the county auditor as a result of  
5 paragraph (4) shall be subtracted from the amount of  
6 property tax revenues not allocated to special districts by  
7 the county auditor as a result of paragraph (3) to  
8 determine the amount to be deposited in the Education  
9 Revenue Augmentation Fund as specified in subdivision  
10 (d).

11 (6) On or before September 30, 1993, the county  
12 auditor shall notify the Director of Finance of the net  
13 amount determined for special districts pursuant to  
14 paragraph (5).

15 (d) (1) The amount of property tax revenues not  
16 allocated to the county, city and county, cities within the  
17 county, and special districts as a result of the reductions  
18 required by subdivisions (a), (b), and (c) shall instead be  
19 deposited in the Educational Revenue Augmentation  
20 Fund established in each county or city and county  
21 pursuant to Section 97.2. The amount of revenue in the  
22 Educational Revenue Augmentation Fund, derived from  
23 whatever source, shall be allocated pursuant to  
24 paragraphs (2) and (3) to school districts and county  
25 offices of education, in total, and to community college  
26 districts, in total, in the same proportion that property tax  
27 revenues were distributed to school districts and county  
28 offices of education, in total, and community college  
29 districts, in total, during the 1992-93 fiscal year.

30 (2) The county auditor shall, based on information  
31 provided by the county superintendent of schools  
32 pursuant to this paragraph, allocate that proportion of the  
33 revenue in the Educational Revenue Augmentation  
34 Fund to be allocated to school districts and county offices  
35 of education only to those school districts and county  
36 offices of education within the county that are not excess  
37 tax school entities, as defined in subdivision (n) of Section  
38 95. The county superintendent of schools shall determine  
39 the amount to be allocated to each school district in  
40 inverse proportion to the amounts of property tax

1 revenue per average daily attendance in each school  
2 district. For each county office of education, the  
3 allocation shall be made based on the historical split of  
4 base property tax revenue between the county office of  
5 education and school districts within the county. In no  
6 event shall any additional money be allocated from the  
7 Educational Revenue Augmentation Fund to a school  
8 district or county office of education upon that district or  
9 county office of education becoming an excess tax school  
10 entity. If, after determining the amount to be allocated to  
11 each school district and county office of education, the  
12 county superintendent of schools determines there are  
13 still additional funds to be allocated, the county  
14 superintendent of schools shall determine the remainder  
15 to be allocated in inverse proportion to the amounts of  
16 property tax revenue, excluding Educational Revenue  
17 Augmentation Fund moneys, per average daily  
18 attendance in each remaining school district, and on the  
19 basis of the historical split described above for each  
20 county office of education, that is not an excess tax school  
21 entity until all funds that would not result in a school  
22 district or county office of education becoming an excess  
23 tax school entity are allocated. The county  
24 superintendent of schools may determine the amounts to  
25 be allocated between each school district and county  
26 office of education to ensure that all funds that would not  
27 result in a school district or county office of education  
28 becoming an excess tax school entity are allocated.

29 (3) The county auditor shall, based on information  
30 provided by the Chancellor of the California Community  
31 Colleges pursuant to this paragraph, allocate that  
32 proportion of the revenue in the Educational Revenue  
33 Augmentation Fund to be allocated to community  
34 college districts only to those community college districts  
35 within the county that are not excess tax school entities,  
36 as defined in subdivision (n) of Section 95. The chancellor  
37 shall determine the amount to be allocated to each  
38 community college district in inverse proportion to the  
39 amounts of property tax revenue per funded full-time  
40 equivalent student in each community college district. In

1 no event shall any additional money be allocated from the  
2 Educational Revenue Augmentation Fund to a  
3 community college district upon that district becoming  
4 an excess tax school entity.

5 (4) (A) If, after making the allocation required  
6 pursuant to paragraph (2), the auditor determines that  
7 there are still additional funds to be allocated, the auditor  
8 shall allocate those excess funds pursuant to paragraph  
9 (3). If, after making the allocation pursuant to paragraph  
10 (3), the auditor determines that there are still additional  
11 funds to be allocated, the auditor shall allocate those  
12 excess funds pursuant to paragraph (2). If, after  
13 determining the amount to be allocated to each  
14 community college district, the Chancellor of the  
15 California Community Colleges determines that there  
16 are still additional funds to be allocated, the Chancellor  
17 of the California Community Colleges shall determine  
18 the remainder to be allocated to each community college  
19 district in inverse proportion to the amounts of property  
20 tax revenue, excluding Educational Revenue  
21 Augmentation Fund moneys, per funded full-time  
22 equivalent student in each remaining community college  
23 district that is not an excess tax school entity until all funds  
24 that would not result in a community college district  
25 becoming an excess tax school entity are allocated.

26 (B) (i) For the 1995–96 fiscal year and each fiscal year  
27 thereafter, if, after making the allocations pursuant to  
28 paragraphs (2) and (3) and subparagraph (A), the  
29 auditor determines that there are still additional funds to  
30 be allocated, the auditor shall, subject to clauses (ii) and  
31 (iii), allocate those excess funds to the county  
32 superintendent of schools. Funds allocated pursuant to  
33 this subparagraph shall be counted as property tax  
34 revenues for special education programs in  
35 augmentation of the amount calculated pursuant to  
36 Section 2572 of the Education Code, to the extent that  
37 those property tax revenues offset state aid for county  
38 offices of education and school districts within the county  
39 pursuant to Section 56712 of the Education Code.

(ii) For the 1995–96 fiscal year only, this subparagraph shall have no application to the County of Mono and the amount allocated pursuant to this subparagraph in the County of Marin shall not exceed five million dollars (\$5,000,000).

(iii) For the 1996–97 fiscal year only, the total amount of funds allocated by the auditor pursuant to this subparagraph and subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.2 shall not exceed that portion of two million five hundred thousand dollars (\$2,500,000) that corresponds to the county's proportionate share of all moneys allocated pursuant to this subparagraph and subparagraph (B) of paragraph (4) of subdivision (d) of Section 97.2 for the 1995–96 fiscal year. Upon the request of the auditor, the Department of Finance shall provide to the auditor all information in the department's possession that is necessary for the auditor to comply with this clause.

(C) For purposes of allocating the Educational Revenue Augmentation Fund for the 1996–97 fiscal year, the auditor shall, after making the allocations for special education programs, if any, required by subparagraph (B), allocate all remaining funds among the county, cities, and special districts in proportion to the amounts of ad valorem property tax revenue otherwise required to be shifted from those local agencies to the county's Educational Revenue Augmentation Fund for the relevant fiscal year. For purposes of ad valorem property tax revenue allocations for the 1997–98 fiscal year and each fiscal year thereafter, no amount of ad valorem property tax revenue allocated to the county, a city, or a special district pursuant to this subparagraph shall be deemed to be an amount of ad valorem property tax revenue allocated to that local agency in the prior fiscal year.

(5) For purposes of allocations made pursuant to Section 96.1 for the 1994–95 fiscal year, the amounts allocated from the Educational Revenue Augmentation Fund pursuant to this subdivision, other than those amounts deposited in the Educational Revenue



1 Augmentation Fund pursuant to any provision of the  
2 Health and Safety Code, shall be deemed property tax  
3 revenue allocated to the Educational Revenue  
4 Augmentation Fund in the prior fiscal year.

5 *SEC. 4. Section 97.37 of the Revenue and Taxation*  
6 *Code is amended to read:*

7 97.37. (a) Notwithstanding any other provision of  
8 this chapter, for the 1994–95 fiscal year and each fiscal  
9 year thereafter, the amount of property tax revenue  
10 deemed allocated in the prior fiscal year to a county free  
11 library system, or a library established as an independent  
12 special district, shall not be reduced for purposes of  
13 increasing the amount of property tax revenue to be  
14 allocated to another jurisdiction. ~~This~~

15 (b) (1) *This section shall not be construed to preclude*  
16 *allocations of ad valorem property tax revenue to a*  
17 *county's Educational Revenue Augmentation Fund,*  
18 *rather than to a county free library system or a library*  
19 *established as an independent special district, that are*  
20 *required by the application to a library system or library*  
21 *district, as so described, of Sections 97.2 and 97.3. The*  
22 *Legislature finds and declares that this paragraph does*  
23 *not constitute a change in, but is declaratory of, existing*  
24 *law.*

25 (2) *This section does not apply to any adjustments in*  
26 *property tax allocations made pursuant to Section 19116*  
27 *of the Education Code.*

28 *SEC. 5. The Legislature finds and declares that the*  
29 *amendments made by this act to Sections 97.2 and 97.3 of*  
30 *the Revenue and Taxation Code do not constitute a*  
31 *change in, but are declaratory of, existing law.*

32 *SEC. 6. This act is an urgency statute necessary for the*  
33 *immediate preservation of the public peace, health, or*  
34 *safety within the meaning of Article IV of the*  
35 *Constitution and shall go into immediate effect. The facts*  
36 *constituting the necessity are:*

37 *In order to effectuate the necessary statutory changes*  
38 *to implement the Budget Act of 1997, it is necessary that*

1 *this act take effect immediately.*  
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